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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 006209

SIPDIS

NEA/IPA

E.O. 12958: DECL: 12/08/2014

TAGS: [KWBG](#) [ECON](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [ISRAELI](#) [PALESTINIAN](#) [AFFAIRS](#)

SUBJECT: GAZA DISENGAGEMENT: EXAMINING PROGRESS AT KARNI

AND EREZ

Classified By: DCM Gene A. Cretz for reasons 1.4 (b) and (d)

¶11. (C) Summary: In their discussions of Israel's disengagement plan, the World Bank continues to highlight the Gaza Strip's border crossings as key to Gaza's economic success. The international donor community has approached the Israelis about humanitarian and economic problems that arise from slowdowns and closures at Karni and Erez crossing.

The GOI acknowledges these issues and is taking steps to improve the crossings regime. UNRWA, which imports some 2,500 containers annually, describes Karni terminal as a hopeless case that has cost UNRWA some USD one million in per-container costs, and says it believes increased container capacity at Rafah crossing is the best solution. Gazan businessmen dependent on imported raw materials are also pessimistic, citing 20-day delays for goods at Karni, and five-hour holdups for businessmen at Erez that make it impossible for Gazans to do business in Israel or the West Bank on 12-hour permits issued by COGAT. COGAT, in turn, states that the GOI is fully committed to "increasing trade with Gaza" by increasing capacity at Karni and Erez and by "making sure businessmen can get out" of the Strip. GOI interlocutors are confident that "technological fixes" at the crossings will solve the problem, but say the GOI will need substantial assistance from the U.S. and other donors to make this work. End Summary.

UNRWA: Debacle at Karni Costing USD One Million
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¶12. (C) Olaf Molander, who handles shipping of humanitarian supplies for UNRWA and the several relief organizations under UNRWA's shipping umbrella, told Econoff November 10 UNRWA has been hit especially hard by the GOI's policy of enhanced screening at Karni terminal for empty containers leaving the Gaza Strip, which was put in place after March's suicide bombing at Ashdod port. The change has caused Turkish, Cypriot, and Israeli shipping companies to charge extra for each day the containers are stuck in storage. Molander said this delay has raised UNRWA's per-container costs from an already high USD 300 during the intifada period to USD 600 since August. (Note: Pre-intifada per-container costs averaged USD 150. End note.) Since UNRWA brings between two and three thousand containers into the Gaza Strip each year, Molander said, this figure has become unwieldy -- the organization has paid out over USD one million in storage fees.

¶13. (C) Ostensibly to alleviate this problem, said Molander, the GOI fitted one of Karni's terminals with an x-ray machine in August. The machine is supposed to scan empty containers leaving Gaza at a rate of 500 per day, he explained, but staffing shortages, technical problems, and what he terms "a simple lack of will" have kept this daily output closer to only 100 for months now. In Molander's view, bureaucratic differences among the various GOI agencies has contributed to Karni's "unacceptable" operation. While the semi-private Israeli Airports Authority, who runs the terminal and makes money off of each screening, would like to provide better, faster service, the security concerns of the Shin Bet and the Israeli police inevitably slow functioning at the terminal.

Rafah Should Increase Container Screening

¶14. (C) Molander said goods have been moving so slowly through Karni that UNRWA has been considering the potential of the Rafah crossing, on Gaza's southern border with Egypt, as an alternative container terminal in the future. This cannot happen soon, he explained, since at present Rafah only has capacity to handle palletized cargo, not the container or bulk packaging that UNRWA uses to import most of its humanitarian supplies. He predicts, however, that within a year following disengagement the Egyptian government will begin serious maneuvering to "get in on" some of the trade into and out of Gaza, which the Haifa and Ashdod ports currently control. He argued that this is not a political issue, but simple economic opportunity for Egypt. As such, he posited that it can and will occur whether Israel retains control over the Philadelphia corridor or not.

Gazan Businessmen: Goods Still Blocked at Karni...

15. (C) Gazan factory owners and other manufacturers who depend on imports of raw materials for their businesses say they have seen "effectively no" improvement at Karni or Erez since the intifada began, and they remain pessimistic about the future. In a December 2 conversation with Econoff, Mohammed Yazgi, owner of Gaza's Pepsi bottling plant and member of the Palestinian Business Association, conceded that shipments of fresh fruit and concrete are not limited in number and have indeed been moving somewhat more quickly through Karni over the past several months, due in part to the interest of the Israeli produce shipping giant Agrexco. Essential materials like sugar, flour, bottles and other packaging items, however, are still routinely held 20 days or more at the border. For himself and other manufacturers, Yazgi said, these are the goods that really matter.

16. (C) An average of 100 containers per week of these types of commodities comes into the Gaza Strip, Yazgi said, whereas before the intifada that number was over one thousand. This delay is not caused by the Israeli Airports Authority staff who man Karni -- recently the IAA agreed to keep the terminal open until 11:00 at night, and Yazgi says he has often seen employees working late -- but rather by the IDF and other GOI agencies who have limited the number of trucks that can even approach the terminal to only five or six per day.

... And Businessmen Still Blocked At Erez

17. (C) "Erez crossing is the real disaster," Yazgi said. "Imagine that all of Gaza has to move through one six-meter-wide lane, with a gate at the end of it allowing one person through at a time." Yazgi described a regime in which terminal staff accepts groups of ten to fifteen individuals every two to three hours for extensive screening procedures that take another hour and a half. Businessmen are generally not a "priority group" and are called for screening only after humanitarian cases, of which there are frequently dozens, are cleared to cross. This means that businessmen arriving at Erez 7:00 or 8:00 in the morning are only able to enter Israel in the afternoon. Meetings in the West Bank, Tel Aviv, or Haifa are then almost impossible, he said, since permits are limited to one day. By the time a businessman reaches his destination, he barely has time to turn around and get back to Erez on time.

COGAT: GOI Committed to Better Crossings
But Needs Money

18. (C) Yitzhak Gurvitch, head of COGAT's economic division, told Econoff November 20 that the GOI has adopted a clear goal of increasing trade into and out of the Gaza Strip by increasing capacity at the Karni terminal in tandem with disengagement. Before the intifada, he said, Karni was processing some 700 container-bearing trucks per day, and sometimes up to 1,000. The terminal has the potential to process between 1,000 and 1,500 containers per day with the installation of two new movable container scanners and complete utilization of a two-shift schedule. These two scanners are in addition to the scanner the PA purchased and the GOI installed at Karni in August. The GOI's November response to the World Bank's report states that waiting time at Karni can be reduced to as low as 24 hours, depending on the establishment of a center for ordering and coordination. There is only one problem, he said -- the GOI does not have enough money for these improvements. It can be done only with assistance from the U.S., the World Bank, or the international donor community.

19. (SBU) In November meetings with USAID representatives, Dr. Yair Hirschfeld of the Economic Cooperation Foundation said that the GOI is considering investing USD 20 million in a complete overhaul of the Erez crossing. The overhaul would enable the terminal to accommodate a greatly increased number of passengers, as well as serve as the primary terminal for the import of container goods into the Gaza Strip. A proposed rail line from Ashdod to Erez would bring imports to the terminal much faster than they are currently arriving. This would free up Karni to deal primarily with the export of empty containers and Gazan products, and ensure redundancy in the crossings regime.

10. (C) Gurvitch added that improved security technology at Erez would enable the GOI to issue a much higher number of business permits to Gazans, in principle "without limit," under similar standards as those used currently, including references from Israeli counterparts or membership in a chamber of commerce. "The important thing is not that Israeli businessmen can get into Gaza, but that Gazan

businessmen can get out," he said.

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